

Message Text

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40

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 SP-02 L-02 NSC-05 PRS-01 CIAE-00

INR-07 NSAE-00 EB-07 AGR-05 TRSE-00 /045 W

----- 001218

R 042200Z APR 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 2762

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EO 11652: NA

TAGS: EFIN, IBRD, CI

SUBJ: IBRD LOAN FOR CHILEAN AGRICULTURE

REF: SANTIAGO 1954

1. RAUL SAEZ TOLD US ON APRIL 3 THAT HE AS IBRD GOVERNOR AND JORGE CAUAS AS ALTERNATE GOVERNOR HAD SENT MESSAGE THAT DAY TO ROBERT MCNAMARA CONTAINING FOLLOWING POINTS:

2. GOC IS GREATLY CONCERNED AT REMOVAL OF \$20 MILLION AGRICULTURAL LOAN FROM APRIL 1 AGENDA OF IBRD BOARD. ACTION IS ESPECIALLY SERIOUS CONSIDERING THAT ALL NECESSARY TECHNICAL ACTION FOR ITS APPROVAL HAD BEEN COMPLETED. SERIOUSNESS OF SITUATION IS FURTHER HEIGHTENED CONSIDERING THAT: (1) MCNAMARA HAD MADE PERSONAL COMMITMENT TO SUBMIT CREDIT TO BOARD ONCE TECHNICAL REQUIREMENTS HAD BEEN MET; (2) CHILE WAS NOT ADVISED OF MCNAMARA'S DECISION TO WITHDRAW

PROJECT ALTHOUGH REASON FOR DOING SO WAS KNOWN TO MCNAMARA AT LEAST TEN DAYS BEFORE: (3) WITHDRAWAL GRAVELY AFFECTS CHILE'S INTERNATIONAL FINANCIAL IMAGE WITH COMMERCIAL BANKS AND OTHER CREDITORS WHILE GIVING SUPPORT TO THOSE TRYING TO DELAY PARIS CLUB NEGOTIATION FOR POLITICAL REASONS; (4) IN ABSENCE OF PROMPT ADDITIONAL IBRD LENDING, CHILE BY ITS REPAYMENTS WILL BE TRANSFERING NET RESOURCES TO BANK IN MIDST OF ECONOMIC CRISIS CAUSED BY CHILE'S HIGH IMPORT COSTS AND
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LOW EXPORT EARNINGS.

3. SAEZ TOLD US THAT HE HAD REFRAINED ON LAST POINT FROM SAYING EXPLICITLY THAT CONTINUATION OF IBRD DELAYING TACTICS WOULD RESULT IN GOC REQUEST TO RENEGOTIATE ITS DEBTS WITH BANK. HE ADDED THAT HE HAD TRIED TO KEEP PERSONAL CRITICISM OF MCNAMARA IN THIS MESSAGE TO A MINIMUM.

4. USG SHOULD BE CAREFUL IN ITS USE OF ABOVE INFORMATION SINCE SAEZ TOLD US NO OTHER GOVERNMENT HAD BEEN INFORMED.

5. TEXT OF SAEZ MESSAGE IS BEING POUCHED TO ARA/BC.
POPPER

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Message Attributes

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Margaret P. Grafeld
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